

AR34

1969

Seventy-Eighth Annual Report



THE **Great-West Life** ASSURANCE COMPANY • HEAD OFFICE • WINNIPEG, CANADA

Seventy-Eighth Annual Report 1969

Comparative Highlights

	1969	1968
Insurance and annuities in force	\$11,670,137,000	\$10,269,352,000
ities	1,585,368,000	1,285,896,000
m income	66,018,000	63,679,000
l beneficiaries	191,307,000	174,366,000
	1,454,253,000	1,387,246,000
	1,323,828,000	1,259,917,000
rve and surplus	130,425,000	127,329,000

W. A. NEVILLE
Advertising and Publicity Officer

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Health insurance premium income	66,018,000	63,679,000
Paid to policyholders and beneficiaries	191,307,000	174,366,000
Assets	1,454,253,000	1,387,246,000
Liabilities	1,323,828,000	1,259,917,000
Capital, contingency reserve and surplus	130,425,000	127,329,000

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Directors' Report

1969 was a unique year in the Company's history from several viewpoints. The biggest sales records we have ever achieved, our affiliation with The Investors Group, new heavy Canadian taxation, new products for the seventies, were all important developments.

Sales and Business in Force

Record growth was achieved this year. Life and annuity sales reached \$1,585,368,000, up 23%.

	1969	1968
Individual Life Policies . . . \$	514,313,000	\$ 488,944,000
Group Life . . .	946,393,000	683,983,000
Annuities . . .	124,662,000	112,969,000
	<u>\$1,585,368,000</u>	<u>\$1,285,896,000</u>

Health insurance sales were \$13,617,000 of annual premiums, 23% higher than the previous record of last year.

Business in force, excluding health insurance, now totals \$11,670,000,000, up \$1,400,000,000 for the year. Health insurance premiums earned totalled \$66,018,000 but the full impact of medicare in Canada is not yet reflected.

Earnings

Company earnings were lower than last year. The costs of higher sales, higher expense rates on top of new and higher income taxes, poorer health and group life insurance experience, all contributed to lower earnings. The net rate of return on investments was lower than in 1968, 5.94% against 6.05%, due to Place Bonaventure, which is referred to later, and the higher proportion of assets in policy loans and in common stocks. Earnings per share were \$8.27 compared to \$9.76 in 1968 and \$7.66 in 1967.

Taxes

The new tax legislation enacted in 1969 on Canadian life insurance companies was heavier than

had been anticipated. Not only are full corporate rates payable on both policyholder and shareholder "earnings" as defined in the Act, but a tax on our investment income is an additional tax not applicable to other savings institutions. From a tax position traditionally designed to encourage private savings through life insurance, we are now taxed more heavily in Canada than in the United States.

Payments to Policyholders

Benefits and dividends paid to policyholders were nearly \$17,000,000 higher than in 1968 at \$191,000,000. Mortality experience was favorable on individual business, but group life and health insurance experience were less favorable than in 1968.

Assets and Liabilities

Assets increased \$67,000,000 to \$1,454,000,000. The Company continued its policy of writing down its assets to make provision for fluctuations in investment experience and the amount so allocated in 1969 was \$3,063,000.

During the year the Company acquired ownership of Place Bonaventure, Montreal's giant commercial building complex. Opened in 1967, with our Company doing the major financing, it has not reached projected income levels. The Company's long experience in investment real estate has been most favorable and, while Place Bonaventure has been unprofitable thus far and a strain on the Company's earnings, it has the potential to produce good earnings.

The Contingency Reserve was maintained at \$45,000,000 and Surplus increased by \$3,095,000 to bring Capital, Contingency Reserve and Surplus to \$130,425,000.

The growth in surplus funds is markedly lower than the \$10,712,000 increase of 1968 because

of lower earnings, and also because the 1969 increase is tax-paid, whereas the 1968 increase was before taxes under the then existing legislation. The smaller growth in surplus funds, which are an additional margin of safety to policyholders, is in keeping with our new tax position whereby losses as well as profits are shared by government through taxes.

Affiliation with The Investors Group

The Great-West Life is controlled jointly by its policyholders and shareholders. In March, The Investors Group made an offer to shareholders to purchase 50.1% of the Company's shares and acquired this holding in April, 1969.

The coordination of mutual interests has been harmoniously achieved during the year. Plans have been made for dual licensing developments in Canada in 1970. Under this arrangement, sales representatives of each company will be marketing certain services of the other company. 1970 should see significant results from these broadened marketing programs, none of which existed in 1969.

* * *

On February 4, 1969, Mr. George T. Richardson, President of James Richardson & Sons, Limited, was elected Chairman of the Board, succeeding

Mr. Joseph Harris who, with Mr. J. A. MacAulay, C.C., Q.C., a Vice-President, retired from the Board after long and distinguished service. Mr. A. S. Leach, a Director since 1954, and Mr. Peter D. Curry, a Director since 1967, were elected Vice-Presidents of the Company. Mr. W. M. Auld, President, Bristol Aerospace (1968) Ltd., was appointed as a Director, and Messrs. R. C. Brown, Vice-President, Marketing and R. O. A. Hunter, Vice-President and Secretary, became members of the Board. Mr. C. E. Atchison, President of The Investors Group, was appointed a Director on June 18, 1969, succeeding Mr. J. R. Murray who had resigned.

The opportunities for continued development of our services in both Canada and the United States are very real and provide a stimulating climate for the Company's personnel. The Directors express their warm appreciation of the results being achieved by our officers, staff and field organization.

On behalf of the Board,

George T. Richardson,
Chairman of the Board

D. E. Kilgour,
President

January 19, 1970

Board of Directors

Chairman of the Board

GEORGE T. RICHARDSON

President

James Richardson & Sons, Limited

President

D. E. KILGOUR

Vice-Presidents

A. S. LEACH

Chairman of the Board

Federal Grain Limited

PETER D. CURRY

Chairman of the Board

The Investors Group

Directors

C. E. ATCHISON

President

The Investors Group

R. O. A. HUNTER

Vice-President and Secretary

The Great-West Life Assurance Company

W. M. AULD

President

Bristol Aerospace (1968) Limited

E. H. MONCRIEFF

President

Standard Aero Engine Limited

MARCEL BÉLANGER, C.A.

Bélanger, Dallaire, Gagnon & Associates.

JAMES C. PARLEE

Senior Executive Vice-President

The International Nickel Company of
Canada, Limited

R. C. BROWN

Vice-President, Marketing

The Great-West Life Assurance Company

A. M. RUNCIMAN

President

United Grain Growers Limited

DONALD M. ELLIMAN

Executive Vice President

Marine Midland Grace Trust Company of New York

RHYS M. SALE

Retired

C. A. GEOFFRION, Q.C.

Geoffrion & Prud'homme

P. H. T. THORLAKSON, M.D.

Surgeon and President

The Winnipeg Clinic

Senior Executive Officers

D. E. KILGOUR

President

GEORGE AITKEN

Vice-President, Administration

R. C. BROWN

Vice-President, Marketing

R. O. A. HUNTER

Vice-President and Secretary

A. E. LOADMAN

Vice-President and Senior Actuary

G. C. ELLIOTT

Treasurer

Review of 1969

The Directors' Report on pages 2-3 has reported the principal results and developments of 1969, the Company's seventy-eighth year in business. The following review is intended to supplement the Directors' Report and the financial statements which appear on pages 12-17.

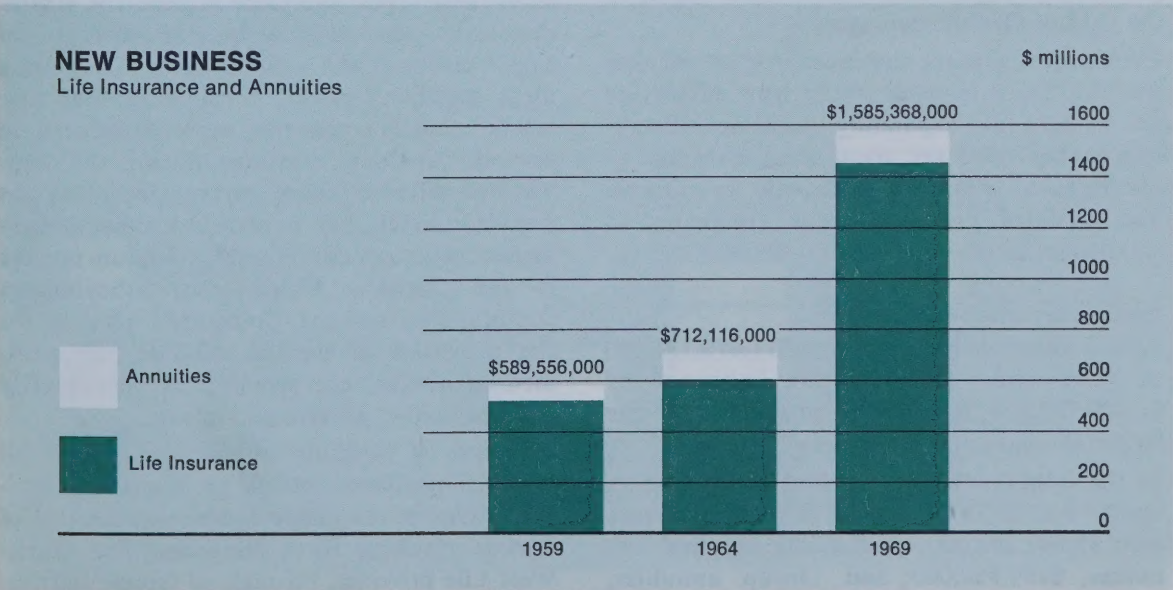
Sales Top Billion and a Half Mark

Sales of life insurance and annuities were up by 23% and for the second consecutive year exceeded a billion dollars, reaching a new plateau at \$1,585,368,000. It is interesting to note that this amount is greater than cumulative sales for the first fifty years of the Company's existence. Of the total, Individual Life policies accounted for \$514,313,000 (32%), Group Life coverages were \$946,393,000 (60%), and Annuities (both Individual and Group) \$124,662,000 (8%). Sales of Health insurance also showed a substantial increase and are reviewed in a later section.

It was the first year that Individual Life sales

exceeded the half billion mark. These results are directly attributable to the active efforts of some one thousand field representatives working out of the Company's branches throughout Canada and in twenty-three of the United States. These sales covered a multiplicity of financial needs for our policyholders. For some it was a completely planned personal life insurance program; for others, a single policy for family protection, an educational fund, mortgage protection or any one of several family needs. For still others, life insurance played an important business role by funding a partnership buy-and-sell agreement, protecting a business against the loss of a key executive, or providing additional retirement benefits for employees.

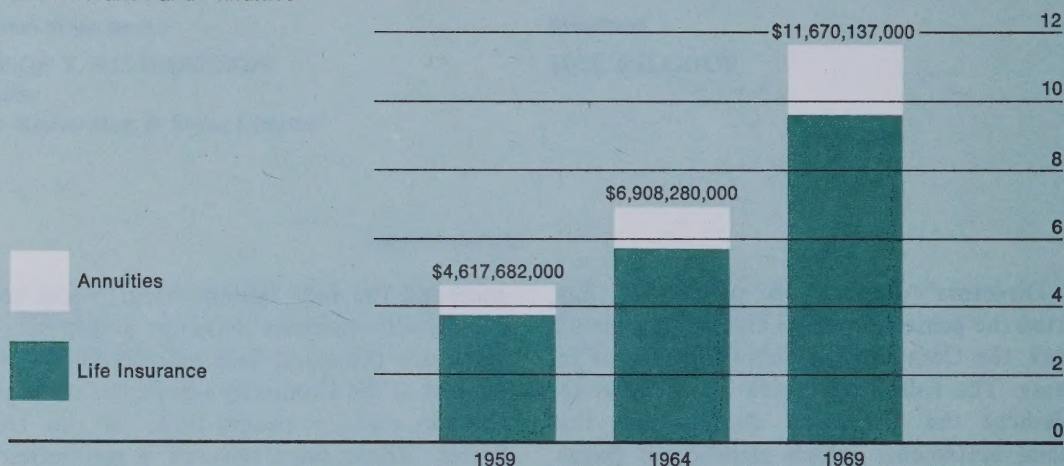
Evidence of the growing capacity of Great-West Life agents to serve their clients is found in the fact that one hundred and fourteen sold over a million dollars in personal coverages during 1969. This was the largest number to achieve this level of sales production in the



BUSINESS IN FORCE

Life Insurance and Annuities

\$ billions



Company's history. Such praiseworthy achievement was not monopolized by the agents of one country or the other because sixty-six were from United States branches and forty-eight from Canada. Related to the growth of sales is the larger average size policy sold in 1969: \$16,227 compared with \$15,453 the previous year and \$12,497 in 1965.

Group sales approached the billion dollar mark in 1969. This was achieved through the acquisition of many new Group cases as well as important additions to existing cases. Working in close co-operation with the Company's agents and with brokers, the Group field organization has enjoyed outstanding success and made Great-West Life a leader in the field of Group coverages.

Group life insurance continues to grow because the need for it is never static. New employees are brought into expanding businesses. Established employees are given more coverage in the light of changing economic conditions. Salary-related group insurance increases as salaries increase.

Business in Force Over \$11 Billion

Total business in force stood at \$11,670,137,000 at year end. This was an increase of \$1,400,785,000 during the year, by far the largest increase in a single year.

Of the total amount, Individual Life insurance made up \$3,789,114,000; Group insurance was \$5,909,263,000; Individual deferred annuities, \$159,950,000; and Group annuities,

\$1,811,810,000. Divided between the two countries in which the Company operates, 59% was Canadian business, 41% United States. Business in force has more than doubled in the decade of the sixties and has increased twelve-fold since the end of World War II. The increase in 1969 alone was more than total business in force at the end of 1948.

Health Insurance Sales up 23%

For the second consecutive year, sales of new Health insurance contracts were up 23%. The 1969 amount was \$13,617,000 of annual premiums. Of the total, Group coverages accounted for \$12,242,000 and Individual for \$1,375,000. Total premium income for Health insurance was \$66,018,000, an increase of \$2,339,000 over the previous year. This was a most gratifying result, considering that universal medicare schemes were introduced in several Canadian provinces during the year. The full effect of these government plans has not yet been felt, but, nonetheless, it has already meant the loss of considerable premium income for the Company. Many Group policyholders continued to use the Company's services for the provision of needed medical and paramedical services not provided or inadequately covered under government plans.

Medicare is certainly not a panacea for all financial problems related to illness and accidents. One of the major concerns is the loss of income resulting from disability. The Great-West Life provides, through its representatives,

excellent disability income plans, for both Group and Individual needs. Their widespread acceptance is indicative of the need for this type of coverage and points the way for broadened services by the Company in the field of Health insurance.

New Plans; New Services

The opportunities for service in markets being served by Great-West Life will be greater than ever in the seventies. For this reason, the development of new products and updating of established products were given increased emphasis in 1969. For Canadian clients in 1970, there will be the new Growth Opportunity annuities and endowments, linked to a special equity fund so that the return will reflect current values of a selected group of common stocks. Early in March, Great-West Life agents in Canada (in provinces where dual licensing is permitted) will sell Investors Syndicate mutual funds. Simultaneously, Investors' representatives will market a special series of Great-West Life policies.

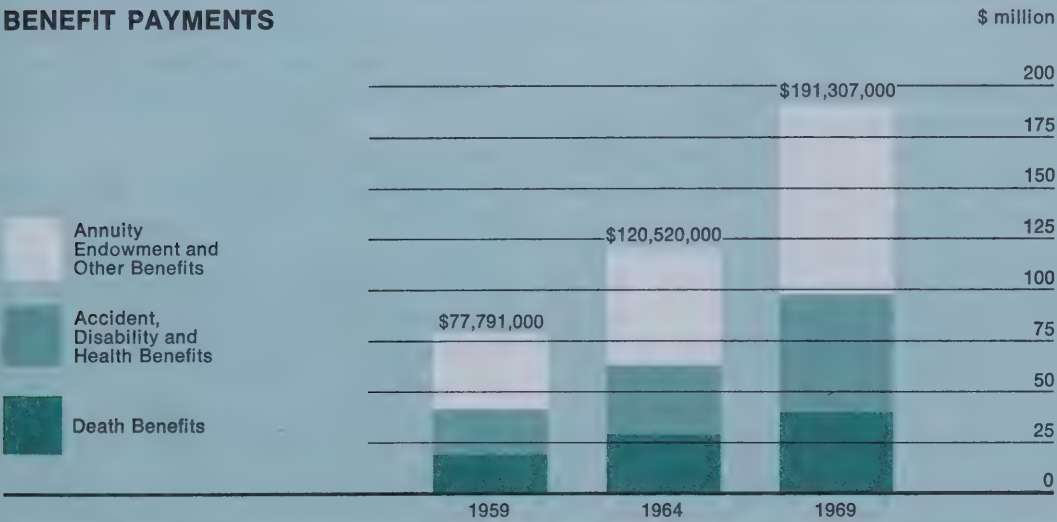
A new development in Group coverages is Great-West Life's Combined Term-Permanent plan. It is available in both Canada and the United States. Through this plan, employees are given an opportunity to have all or part of their group insurance in a permanent cash-value policy that can be continued after retirement or used to provide additional capital at retirement.

Benefit Payments at \$191 Million

During the year, total benefits paid to policyholders since the founding of the Company passed the two billion dollar mark. It would be impossible to envisage the infinite variety of purposes for which this great flow of dollars has been used down through the years. Suffice to say, they were, for the most part, dollars that were much needed and without which many families would have suffered financial hardship. In 1969 alone, Great-West Life paid out to policyholders and beneficiaries a total of \$191,307,000 compared with \$174,366,000 in 1968. These payments included monthly cheques for retirement income, health insurance and disability benefits, cash values, interest, policyholder dividends, and, of course, death benefits. It is significant that 79% of these payments went to living policyholders. In addition to the amount actually paid out to policyholders and beneficiaries, a further sum of \$46,957,000 was added to policy reserves for future payments to policyholders.

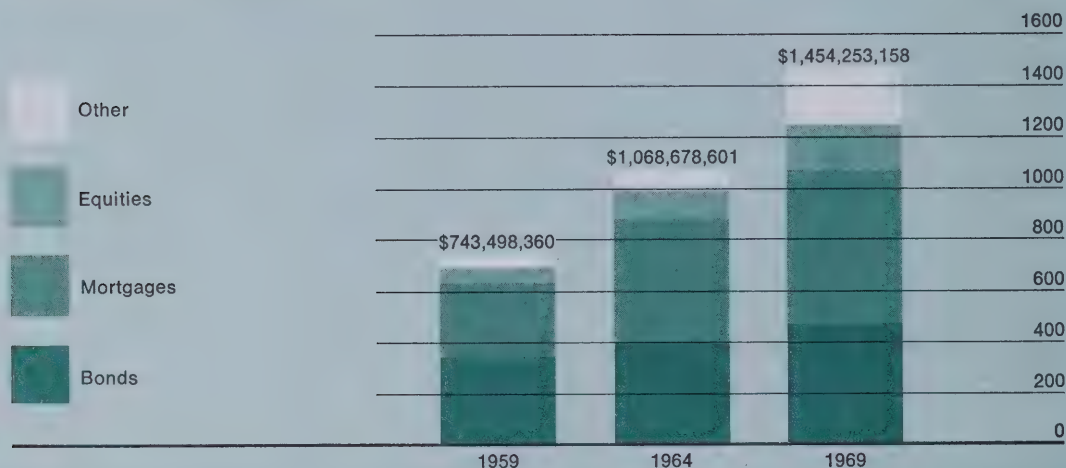
The payment of claims is one of the most important functions of the Company and each year it takes nearly a million and a half separate payments to meet the various obligations to policyholders and beneficiaries. Payments on Life policies are made from the Head Office while payments on Group Health accounts are made from one of seventeen Group Claims offices strategically located throughout the United States and Canada. In all our Claims

BENEFIT PAYMENTS



DISTRIBUTION OF ASSETS

\$ millions



offices, there is a keen appreciation of the responsibility for prompt, courteous payment of claims.

Total Income Reaches \$298 Million

In 1969, the Company's total net income from all sources was \$298,413,000, an increase of almost \$10 million for the year. Of the total, \$218,596,000 came from insurance and annuity premiums and the remainder was from investment income such as interest, dividends and rents (net of investment expenses). Premium income has grown steadily over the years and the 1969 amount is almost double what it was ten years ago. The net rate on invested assets was 5.94%.

Favorable Individual Mortality Experience

The Company's mortality experience in 1969 was more favorable on Individual business than for several previous years. Group experience, on a net claim rate basis, was, however, substantially higher than the previous two years. Mortality experience is a factor which can be subject to significant variations from year to year. It is particularly influenced by large claims and this year group experience was somewhat less favorable. The overall underwriting record of the Company is an enviable one and therefore it can be expected that the long term experience will continue to be favorable.

Expenses a Major Concern

The rising costs of doing business have become a matter of deep concern for business and industry. The life insurance business is no exception. The increase in the Company's expenses reflects a number of factors including higher salary rates for a larger staff and higher costs of space and services for both Head Office and Branch operations to service the increased volume of new business and business in force. This was particularly evident in 1969 because it was a year when the Company's field organization was strengthened by additional manpower and more effective support services at Head Office. While such expenditures are, in part, an investment in future growth and profitability, methods of achieving higher productivity are being vigorously pursued as an effective answer to higher expense rates.

Taxation Assumes New Role

The traditional attitude of the Canadian government towards the taxation of life insurance companies, which reflected a long-standing recognition of the importance of encouraging economic independence of Canadians through the ownership of life insurance, has changed markedly. The first effects of new Canadian life insurance income taxes were felt in 1969. Income taxes amounted to \$7,739,000 compared with the previous year when, related mainly to United States taxes, the amount was just over \$3,000,000. As

mentioned in the Directors' Report, it is evident that the Canadian tax burden will be relatively heavier than the United States levy.

Assets Now Exceed \$1.4 Billion

Total assets of the Company reached \$1,454,253,000 at the end of 1969, an increase of \$67,000,000. The Balance Sheet on page 12 shows the breakdown by type of investment and amount while the chart on page 8 illustrates their diversification in another way. There were some noteworthy changes in the distribution of assets during the year. Stocks grew by \$18 million. Major changes are evident in the bond and real estate categories, mainly resulting from the exchange of bonds for title to Place Bonaventure in Montreal. Another item which increased significantly was policy loans. Mortgages and sale agreements grew at a planned rate. The segregated investment funds grew by \$10,132,000.

Policyholders' Reserves amounted to \$1,116,518,000 at year end. This is the amount which, together with future premiums and interest, will meet future obligations to policyholders. Various other liabilities are outlined in the Balance Sheet on page 13.

Surplus Funds Increased

Despite the favorable sales picture and many other gratifying aspects of the year, earnings were lower than 1968. The effect of this was that additions to surplus funds made as a result of the year's operations were not as demonstrative as in recent years, but were on a tax-paid basis. Contingency reserve was maintained at \$45,000,000. Surplus was increased

by \$3,095,000. Thus, capital, contingency reserve, and surplus totalled \$130,425,000 at year end, representing a very substantial margin of added protection for policyholders.

Developments of Interest

The year 1969 was marked by many developments which augur well for the future.

The major reorganization of the Company's Head Office, referred to in last year's report, has become increasingly effective as the new alignments have stabilized and the new systems and methods have become fully operational and productive.

As the Company looks forward to the seventies, there is reason to draw confidence and optimism from the developments of the past year. Those things which are within management's control can be moved forward with a strong sense of attainable success. Those things, such as taxes, which are imposed, must be contended with so that policyholders' and shareholders' interests will be best served. The Company will play its part in the fight against inflation, not only corporately, but also through its more than one thousand agents who encourage people to save rather than spend and who now have, more than ever, a portfolio of plans to satisfy the financial planning needs of a wide segment of the public.

The Great-West Life enters the new decade with confidence that it will uphold its long tradition of service and stability while demonstrating an innovative spirit in keeping with this fast-moving, fast-changing, exciting world in which we live.

Summary of 1969 Operations

	1969	1968 <i>(for comparison)</i>
Income:		
Insurance and annuity premiums	\$218,596,405	\$211,121,513
Interest, dividends and rents less investment expenses	79,817,058	77,476,972
	<u>\$298,413,463</u>	<u>\$288,598,485</u>
Disposition of Income:		
Death benefits	\$ 40,750,752	\$ 37,010,479
Accident, disability and health benefits	57,334,304	53,480,361
Annuity payments	19,571,762	18,668,620
Maturity and surrender benefits	51,389,565	43,034,530
Interest on funds on deposit	5,789,883	5,558,249
Increase in policy reserves	46,957,647	54,427,617
	<u>\$221,793,913</u>	<u>\$212,179,856</u>
Commissions, medical fees and inspection of risks	13,472,803	12,219,024
Operating expenses	27,301,042	23,184,772
Income taxes (note 4)	7,739,362	3,070,679
Premium and other taxes	3,686,688	3,536,827
	<u>\$273,993,808</u>	<u>\$254,191,158</u>
Net income before policyholder dividends	\$ 24,419,655	\$ 34,407,327
Policyholder dividends (note 7)	16,471,490	16,614,406
Net Income —to Statement of Surplus	<u>\$ 7,948,165</u>	<u>\$ 17,792,921</u>

Analysis of 1969 Net Income — Earnings per Share

	Net Income Attributable to Participating Policyholders	Shareholders (Note 5)	Total
Net income before policyholder dividends	\$17,014,822	\$7,404,833	\$24,419,655
Dividends to policyholders (note 7)	(16,471,490)	—	(16,471,490)
Transfer from participating account to shareholders' account (note 7)	(868,539)	868,539	—
Net income	<u>\$ (325,207)</u>	<u>\$8,273,372</u>	<u>\$ 7,948,165</u>
1969 Earnings per share (1,000,000 shares)		\$8.27	
1968 Earnings per share after adjustment for assumed Canadian income tax (note 6)		\$9.76	

Statement of Surplus FOR THE YEAR 1969

	1969	1968 <i>(for comparison)</i>
Balance January 1	\$ 81,329,063	\$ 73,617,299
Add		
Interest due at December 31, 1968 not previously included	1,030,400	—
Net income for year from summary of operations	7,948,165	17,792,921
	<u>\$ 90,307,628</u>	<u>\$ 91,410,220</u>
Deduct		
Net write-down of assets less net profit on sales of assets	\$ 3,063,673	\$ 3,595,042
Special increase in policy reserves	419,165	2,086,115
Provision for additional income taxes for prior years (note 4)	—	200,000
Transfer to contingency reserve	—	3,000,000
Dividends to shareholders (note 7)	2,400,000	1,200,000
	<u>\$ 5,882,838</u>	<u>\$ 10,081,157</u>
Balance December 31	\$ 84,424,790	\$ 81,329,063
Contingency Reserve at December 31	\$ 45,000,000	\$ 45,000,000
Total Contingency Reserve and Surplus at December 31	\$129,424,790	\$126,329,063

Balance Sheet

DECEMBER 31, 1969

Assets		1969	1968 (for comparison)
Bonds	At amortized cost less write-downs (note 2) Government and municipal bonds \$141,948,143; corporate and other bonds \$323,642,875	\$ 465,591,018	\$ 511,673,284
Stocks	At cost less write-downs (note 2) Preferred stocks \$18,886,044; common stocks \$85,314,985	104,201,029	85,355,504
Mortgages and Sale Agreements	At unpaid balances less unamortized discounts Mortgages \$578,651,079; sale agreements \$9,724,869	588,375,948	575,390,866
Real Estate	At cost less encumbrances, depreciation and write-downs Investment properties \$127,045,560; Head Office properties \$6,252,023	133,297,583	71,785,997
Loans to Policyholders		93,612,188	74,670,155
Cash and Certificates of Deposit		9,659,619	20,560,425
Premiums in Course of Collection		14,459,431	14,707,428
Interest Due and Accrued		17,439,057	15,605,453
Segregated Investment Funds	At market values	25,401,224	15,269,082
Other Assets		2,216,061	2,227,819
		<u>\$1,454,253,158</u>	<u>\$1,387,246,013</u>

George T. Richardson, *Chairman of the Board*

D. E. Kilgour, *President*

Liabilities

		1969	1968 <i>(for comparison)</i>
Policy Reserves	This amount together with future interest and premiums provides for the payment of the benefits promised in the Company's policies and staff pension plan	\$1,116,518,617	\$1,069,141,804
Policyholders' Funds	Policy proceeds left on deposit \$12,883,904; dividends left to accumulate \$64,965,193; premiums received in advance and other policyholders' funds \$32,717,882	110,566,979	109,038,698
Policyholders' Dividends	Provision for dividends payable in 1970	16,597,939	16,693,218
Provision for Claims	Policy benefits in process of payment \$20,959,681; provision for unreported claims \$13,900,000	34,859,681	34,389,594
Segregated Investment Funds		25,401,224	15,269,082
Other Liabilities	Accrued and deferred taxes \$2,888,364; amounts received but not yet allocated \$6,256,134; sundry liabilities \$10,739,430	19,883,928	15,384,554
		\$1,323,828,368	\$1,259,916,950
Capital, Contingency Reserve and Surplus (note 3)	Capital stock—authorized, issued and fully paid— 1,000,000 common shares of \$1 par value Contingency reserve Surplus—Shareholders' account —Unassigned surplus	\$ 1,000,000 45,000,000 2,013,301 82,411,489	\$ 1,000,000 45,000,000 1,980,432 79,348,631
		\$ 130,424,790	\$ 127,329,063
		\$1,454,253,158	\$1,387,246,013

Notes to 1969 Financial Statements

1. The accompanying financial statements have been prepared on the basis of requirements of the Department of Insurance of Canada for reporting in annual statements filed with them.
2. Bonds and stocks stated in the balance sheet at \$569,792,047 have a value as determined by the Department of Insurance of Canada of \$573,-706,505 using amortized cost for government and government-guaranteed bonds and market values for other securities.
3. United States currency amounts are included in these statements dollar for dollar with Canadian. Conversion of United States dollar assets and liabilities to Canadian dollars at the rate of exchange prevailing at December 31, 1969 would have produced an increase in surplus of approximately \$2,300,000 at that date.
4. Commencing in 1969 Canadian income taxes are imposed on income as earned and on investment income rather than on transfers to the shareholders' account as in prior years. The amount included in 1969 is \$4,655,377 compared to \$307,929 in 1968.
5. The net income attributable to shareholders includes:
 - (i) The net income of the non-participating and health insurance accounts.
 - (ii) Net investment income credited to the shareholders' account.
 - (iii) The amount transferred from the participating policyholders' account to the shareholders' account.
6. For 1968 and prior years Canadian corporation income tax was payable only on amounts transferred to the shareholders' account. If the 1968 net income attributable to shareholders of \$14,-333,595 had been transferred to the shareholders' account, additional Canadian income taxes would have been incurred. After deducting the estimated amount of this additional tax the balance of net income attributable to shareholders in 1968 would have been \$9,763,000.
7. Distributions of earnings to policyholders and shareholders are determined by the Board of Directors. For the participating account 95% of the amount distributed is allotted for policyholder dividends and 5% is transferred to the shareholders' account. This complies with Canadian insurance law governing the division of participating earnings as between policyholders and shareholders.

Distributions to shareholders, whether from the participating, non-participating or health insurance accounts, are made by transfers to the shareholders' account from which shareholder dividends are paid.

Canadian income taxes have been assessed to December 31, 1966 and United States income taxes to December 31, 1962. An amount of \$200,000 has been provided for any additional United States income tax payable in respect of the unassessed years.

Auditors' Report

To the Policyholders and Shareholders of
The Great-West Life Assurance Company:

We have examined the balance sheet of The Great-West Life Assurance Company as at December 31, 1969 and the related summary of 1969 operations and statement of surplus for the year 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Policyholders' reserves and other actuarial liabilities are stated at amounts certified by the company's Actuary and have not otherwise been verified by us.

In our opinion, with the foregoing explanation, the accompanying balance sheet and the related summary of 1969 operations and statement of surplus for the year 1969 present fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles of the insurance business.

(Signed) **Price Waterhouse & Co.**

Chartered Accountants

Winnipeg, January 19, 1970

Summary of Capital, Contingency Reserve and Surplus AT DECEMBER 31

(in thousands of dollars)

	1969	1968	1967
Participating Account			
Life contingency reserve	\$ 15,000	\$ 16,000	\$ 16,000
Life surplus	26,465	27,342	26,061
	\$ 41,465	\$ 43,342	\$ 42,061
Non-Participating and Health Insurance Accounts			
Life non-participating contingency reserve	\$ 22,500	\$ 21,500	\$ 19,000
Life non-participating surplus	46,075	43,522	37,811
Health contingency reserve	7,500	7,500	7,000
Health surplus	9,872	8,485	7,271
	\$ 85,947	\$ 81,007	\$ 71,082
Shareholders' Account			
Capital stock	\$ 1,000	\$ 1,000	\$ 1,000
Surplus	2,013	1,980	2,470
	\$ 3,013	\$ 2,980	\$ 3,470
Total Capital, Contingency Reserve and Surplus	\$130,425	\$127,329	\$116,613

10-Year Summary (in thousands of dollars)

Insurance and Annuities in Force	\$11,670,137	\$10,269,352	\$9,276,777
New Insurance and Annuities	1,585,368	1,285,896	973,383
Health Insurance Premium Income	66,018	63,679	58,320
Assets	1,454,253	1,387,246	1,310,311
Total Premium Income	218,596	211,122	199,088
Total Paid or Credited to Policyholders and Beneficiaries Including Dividends	238,685	230,880	217,660
Policyholder Dividends	16,471	16,614	15,521
Shareholder Dividends	2,400	1,200	1,000
Increase in Surplus and Contingency Reserve	3,096	10,712	9,581
Earnings per Share (1968 and prior years adjusted for assumed Canadian income tax—see note 6)	\$8.27	\$9.76	\$7.60

The following summary sets forth the ten-year history of the growth in the Company's contingency reserve and surplus accounts. These amounts have been retained from earnings as margins to provide for unfavorable fluctuations in asset values and mortality, interest and expense rates and are in keeping with expanding policyholder liabilities.

1966	1965	1964	1963	1962	1961	1960
\$ 15,500	\$14,750	\$13,750	\$13,000	\$12,500	\$10,600	\$ 9,300
24,842	23,618	21,333	19,418	17,700	15,594	14,154
\$ 40,342	\$38,368	\$35,083	\$32,418	\$30,200	\$26,194	\$23,454
\$ 17,000	\$15,750	\$14,250	\$12,500	\$11,000	\$10,000	\$ 8,400
33,931	30,622	27,696	24,477	21,700	19,758	17,928
6,500	5,500	5,000	4,500	4,000	3,400	2,800
5,963	4,896	4,357	3,905	3,340	3,011	2,531
\$ 63,394	\$56,768	\$51,303	\$45,382	\$40,040	\$36,169	\$31,659
\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
2,296	2,156	2,017	1,876	1,663	1,490	1,322
\$ 3,296	\$ 3,156	\$ 3,017	\$ 2,876	\$ 2,663	\$ 2,490	\$ 2,322
\$107,032	\$98,292	\$89,403	\$80,676	\$72,903	\$64,853	\$57,435
\$8,298,477	\$7,623,645	\$6,908,280	\$6,399,721	\$5,940,780	\$5,438,504	\$5,091,810
915,026	922,555	712,116	691,018	637,985	616,364	667,329
53,562	46,372	41,389	35,946	32,041	28,385	28,862
1,222,444	1,146,298	1,068,679	991,048	920,233	854,387	791,495
189,987	176,159	159,420	148,392	136,286	129,050	123,131
207,349	192,053	172,622	159,556	145,007	134,671	127,453
14,689	13,608	12,566	11,531	10,288	9,412	8,101
880	800	700	640	600	560	500
8,740	8,889	8,727	7,773	8,050	7,418	6,888
\$6.30	\$5.70	\$5.94	\$5.13	\$4.10	\$4.97	\$4.18

Branch Offices and Agencies

Canada

BRITISH COLUMBIA

Vancouver

12th Floor, Board of Trade Building **J. W. Scott**
1155 West Georgia Street **J. S. Cameron, C.L.U.**
930 One Bentall Centre **E. W. James, C.L.U.**

New Westminster

321 6th Street **K. H. Wyse**

Prince George

602, 550 Victoria Street **M. S. Kosteck**

Terrace

4719 Lakelse Avenue

Victoria

1070 Douglas Street **J. H. Glover, C.L.U.**

ALBERTA

Calgary

405 Bentall Building **R. E. Williams, C.L.U.**
500 Bentall Building **G. E. Johnstone**

Edmonton

1220 Royal Bank Building **D. O. Vaale**
1410 Oxford Building **D. W. Lawton, C.L.U.**

SASKATCHEWAN

Regina

655, 2625 Victoria Avenue **J. B. Gibson, C.L.U.**

Saskatoon

Financial Building **Carl Spangenberg**

MANITOBA

Brandon

Suite 400 Royal Bank Building

Winnipeg

209 Bank of Nova Scotia Building **R. S. Abbott, C.L.U.**
1100 Royal Bank Building **A. W. Stewart, C.L.U.**
1100 Richardson Building **W. A. Maycher, C.L.U.**

ONTARIO

Thunder Bay

244 Cameron Street

Hamilton

Pigott Building **J. B. McLean, C.L.U.**
810 Terminal Towers Building **J. R. Ross, C.L.U.**

Kitchener

408 Dunker Building **H. J. Reid, C.L.U.**

London

200 Queens Avenue **D. Campbell Scott, C.L.U.**

Sudbury

124 Cedar Street **M. R. Lachapelle**

Ottawa

1105 Fuller Building **J. R. Saint, C.L.U.**
22nd Floor, Place de Ville Yves Hamelin, **C.L.U.**

Peterborough

311 George Street **Les Reichardt, C.L.U.**

Kingston

837 Princess Street **E. R. Vincent, C.L.U.**

Toronto

14th Floor, Richmond-Adelaide Centre **A. O. Burke**
801, 15 Toronto Street **P. H. Kilvert, C.L.U.**
151 Bloor Street West **T. R. Perkes, C.L.U.**
1510 Carlton Tower **R. N. Bowden, C.L.U.**
481 University Avenue **L. M. Biderman, C.L.U.**
120 Eglinton Avenue East **J. C. Snyder**
43 Eglinton Avenue East
797 Don Mills Road **M. J. Katzman, C.L.U.**

Windsor

1015 University Avenue West **W. H. Jackson, C.L.U.**

QUEBEC

Montreal

1901 One Place Ville Marie **D. R. Ferguson**
1860 Banque Canadienne Nationale Bldg.
G. A. Boisvert, C.L.U.
3301 One Place Ville Marie **P. A. Embregts, C.L.U.**
Gilles Lefebvre
14th Floor, 1350 Sherbrooke Street West
R. F. Barrett, C.L.U.
1420 Sherbrooke Street West **Gilles Wilkie, C.L.U.**
110 Cremazie Blvd. West **Jean-Paul Pilon, C.L.U.**
311 One Westmount Square **George Sklivas, C.L.U.**

Quebec

350 Boulevard Charest **Jean Lamarche, C.L.U.**

Sherbrooke

25 Wellington Street North **Guy Mercier**

Trois Rivières

1122 Place Royale **Denis Lefebvre, C.L.U.**

NEW BRUNSWICK

Saint John

35 Charlotte Street **P. D. Hamilton, C.L.U.**

NOVA SCOTIA

Halifax

6th Floor, 5251 Duke Street **A. H. Robinson**

PRINCE EDWARD ISLAND

Charlottetown

57 Queen Street **Hyndman & Company Ltd.**

United States

ARIZONA

Phoenix

1412 Del Webb TowneHouse Tower **D. A. Gravett**

CALIFORNIA

Los Angeles

1300, 3810 Wilshire Blvd. **R. M. Rausch**

Beverly Hills

1901 Avenue of the Stars, Century City

J. L. Brown, C.L.U.

Fresno

1271 Wishon **T. E. Perkins**

San Francisco

Suite 662, Russ Building **Charles Amundsen**

San Jose

Suite 501, 100 W. San Fernando Bldg. **D. A. Ward**

Santa Ana

300, 1022 North Broadway **T. J. Bernardy, C.L.U.**

COLORADO

Denver

770 Grant Street **R. H. Perkins, C.L.U.**

CONNECTICUT

Hartford

100 Constitution Plaza **E. G. Hughes**

ILLINOIS

Chicago

1246 LaSalle Bank Building **T. R. Van Etten**

1035 LaSalle Bank Building **E. D. Tripple, C.L.U.**

3A, 6832 West North Avenue **J. W. Ryan**

Evanston

421 First National Bank Building **J. H. Quigley**

Peoria

300, 200 N.E. Adams Street **G. D. Burton**

INDIANA

Indianapolis

6100 North Keystone Avenue **J. T. O'Neal, C.L.U.**

MARYLAND

Baltimore

400 Investment Bldg., Towson **J. R. Bixler, C.L.U.**

MASSACHUSETTS

Boston

Three Center Plaza **C. R. Joachim**

MICHIGAN

Detroit

24245 Northwestern Highway, Southfield **R. W. Bogart**

Grand Rapids

480 Union Bank Building **C. B. Devol, C.L.U.**

Saginaw

4855 State Street **J. C. Matthies**

MINNESOTA

Minneapolis

788 Northstar Center **J. G. Mulheran**

St. Paul

1205 Pioneer Building **Z. W. Finberg, C.L.U.**

MISSOURI

Kansas City

301 Mid-Continent Bank Building

R. M. Stoddard, C.L.U.

St. Louis

200 South Hanley Rd., Clayton **B. M. Friedman, C.L.U.**

NEW JERSEY

Newark

540 Raymond Commerce Building **V. K. Pitfield**

NORTH DAKOTA

Fargo

614 Gate City Building **O. R. Lindgren**

OHIO

Cincinnati

414 First National Bank Bldg. **R. D. Ross, Jr.**

Cleveland

1325 Investment Plaza **J. N. Lenhart, C.L.U.**

Columbus

236 East Town Street **D. E. Clark, C.L.U.**

Dayton

2601 Far Hills Avenue

OREGON

Portland

851, 1600 S.W. Fourth Avenue **G. D. Elonka**

PENNSYLVANIA

Philadelphia

1819 John F. Kennedy Blvd. **F. G. Higham, Jr.**

1600, 1845 Walnut Street **Bernard Friedman**

TEXAS

Dallas

3636 Cedar Springs Road

N. E. Long, C.L.U., H. A. Thevenet

Houston

616 Americana Building **D. C. Willis**

WASHINGTON

Seattle

400-108th Avenue N.E., Bellevue **L. E. Brannen**

